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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

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MARCH 1942

CASH FARM INCOME FROM MARKETINGS, AND WAGE INCOME OF INDUSTRIAL WORKERS, UNITED STATES, 1910-42

INDEX NUMBERS (1935-39=100) ADJUSTED FOR SEASONAL VARIATION



* WAGES OF FACTORY, RAILWAY (CLASS I), AND MINING (COAL AND METAL) WORKERS

U. S. DEPARTMENT OF AGRICULTURE

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BUREAU OF AGRICULTURAL ECONOMICS

INDUSTRIAL WAGE RATES CONTINUED TO ADVANCE IN 1920 AFTER PRICES OF FARM PRODUCTS HAD STARTED TO DECLINE. THIS RESULTED IN A SHIFT IN THE RELATIVE LEVELS OF FARM INCOME AND INDUSTRIAL WAGES. SINCE THAT TIME, DESPITE THE GREAT CHANGES WHICH HAVE TAKEN PLACE IN INDUSTRY AND AGRICULTURE, BOTH THE BROAD FLUCTUATIONS AND THE LONG-TERM TRENDS IN INCOME OF INDUSTRIAL WORKERS AND FARMERS HAVE BEEN SIMILAR.

SUMMARY

Domestic consumer demand for farm products is expected to hold around present levels in the near future and then to improve considerably as war production in converted plants is stepped up. Military needs will continue to increase.

The conversion of industry from civilian to war production is being made with little net disturbance to employment and total productive activity. National income continues to rise, but the effects of this rise on consumer buying power are offset, at least in part, by increased Federal taxes and defense bond buying.

Government spending for defense continues to increase and is now about 2 billion dollars a month higher than a year ago. The increase probably will be even larger as production rises in converted plants. This will bring a renewal of the advance in employment and will accelerate the rise in consumer income.

Wholesale commodity prices have increased little since the Emergency Price Control Act of 1942 which went into effect late in January. The slower advance, however, probably has been due in part to some abatement of advance consumer buying and to other factors. As Government controls are extended to an increasing number of commodities, wholesale price changes will reflect less and less the usual effects of changes in supply-demand conditions, but will continue to be influenced by trends in production and distribution costs.

Living costs continue to rise, reflecting the earlier advance in wholesale prices and scarcity of an increasing number of consumer items. The rise in living costs in relation to that in wholesale prices probably will be larger during coming months as gains in the latter are minimized by broadening controls.

Marketings of meat animals in February receded from the extremely high levels of the preceding 2 months and marketings of several crops were light compared with those of late 1941. Truck crop marketings were large but prices declined substantially. The general level of prices received by farmers was down from 149 in January to 145 percent of the 1910-14 average in February. As a result of these changes, cash income from marketings probably declined more than usual from January to February, but the total was still substantially higher than a year earlier. Preliminary indications based on price changes in central markets suggest that prices received by farmers were on the whole about the same in mid-March as in February.

-- March 18, 1942

The situation by commodities is as follows:

- Cotton: The domestic demand for cotton continues very strong. Nearly 500,000 bales of Government-owned cotton were sold from mid-February to mid-March with prices remaining about unchanged and only slightly below the 13-year peak of late January. Domestic mill consumption is at a record high level and a further increase is expected. As a result, the domestic carry-over next August is expected to be materially smaller than at the same time last year. But in foreign countries, because of exceptionally small consumption in the Axis-controlled area, the carry-over will be substantially larger.
- Fruit: The Government conservation order as to tin plate and terne-plate will not cause the total canned fruit pack in 1942 to be much smaller than the 1941 pack. However, the packs of individual commodities such as apples, apricots, plums and prunes, freestone peaches in California, and olives, will be considerably smaller in 1942 than in 1941.
- Truck crops: Adverse weather conditions prevailed during the last half of February in practically all commercial truck crop areas of the Southern and Western States except Texas. Market prices in general in the first week of March averaged above those in the comparable week a year earlier, but prices of celery and cabbage, supplies of which are expected to be larger than last year, were considerably lower.

- Potatoes: The Department of Agriculture on March 4 announced a price-supporting program designed to encourage potato growers to plant their full acreage allotment in 1942. Prices will be supported by purchases for relief distribution, diversion to starch, livestock feed, and other products, and loans or purchases by the Commodity Credit Corporation. Potato prices recently have been considerably higher than a year earlier, largely as a result of smaller supplies and increased consumer income.
- Wheat: The general condition of the wheat crop remains promising. Prices generally are about the same as a month ago. Loans on 1941 wheat stored on farms, and loans on wheat (on farms or in approved warehouses) defined as excess wheat under the marketing quota provisions may now be extended to April 30, 1943. It is expected that a large part of the 1941 wheat under loan will not come on the market because of acquisition by the Government or resealing.
- Hogs: Maximum prices for pork have been established by the Office of Price Administration. The order placing ceilings on prices of the major pork products at the highest wholesale prices prevailing during the 5 days March 3-7 becomes effective March 23 for a 60-day period. Maximum prices for lard have been in effect since December. Hog prices have advanced sharply since early December.
- Cattle: Cattle numbers increased about 3 million head during 1941, raising the total number of cattle and calves on farms and ranches January 1, 1942 to slightly more than the peak number reached in early 1934. With cattle numbers now the largest on record, marketings for slaughter can increase considerably during 1942 even though numbers should increase further during the year. Prices of well-finished slaughter cattle have improved during the past several weeks, and some further advance seems likely.
- Sheep: The number of lambs in feed lots at the end of February probably was larger than a year earlier and supplies of fed lambs may be relatively large for several more weeks. The number of early spring lambs to be marketed in the late spring and early summer probably will be a little smaller than a year earlier. Prices of fed lambs have declined somewhat since mid-January.
- Dairy products: The larger number of cows and heifers on farms indicates that both cow numbers and milk production may increase through 1943. However, because of improved demand conditions, prices received by farmers for milk and butterfat in 1942 may average higher than in 1941.

- Poultry products: The number of potential layers now on farms is large enough to meet the 1942 egg production goal, which is 13 percent larger than the 1942 output. Reaching the goal would provide an ample supply of eggs to meet prospective lend-lease needs even while maintaining per capita consumption in this country at or above the average for the last few years. Egg prices were steady during the past month. Farmers recently indicated that they intended to purchase 12 percent more chicks and start 8 percent more turkey poults this year than last.
- Corn: Corn prices were near or above the loan rate in most of the commercial area in mid-February and much less corn is going under seal now than in January. During February about 9 million bushels of corn were sold by the Commodity Credit Corporation and 14 million bushels of wheat have been sold for feed since the wheat feed program was announced in January.
- Wool: The 1942 wool clip is being contracted at prices which are about 5 cents a pound higher than a year earlier, the highest in 14 years. At current prices, cash farm income from the 1942 clip probably will equal or exceed the record income of 147 million dollars in 1918. Market prices for most wools are now close to the maxima permitted under present price regulations. Sharp curtailment of new wool use for civilians has been ordered for the second quarter of the year. Because of the large requirements for military fabrics, however, total consumption of apparel wool again will be large in 1942.

DEMAND

The domestic consumer demand for farm products is expected to hold around present high levels during the next few months, while widespread conversion of industry to war production is accomplished, and then to improve considerably. Lend-lease and other war needs for food have continued to increase.

Temporary displacement of industrial workers in the current shift from civilian to war production was sufficient in January (after allowance for seasonal variation) only to about offset other gains in employment; more up-to-date indications are that the number with job connections but temporarily out of work has shown no further increase. It therefore appears that the widespread shift to war production may not result in even a temporary relapse in the aggregate of employment, although further gains of consequence are not probable until the period of conversion is further along. Even then, gains will be held in check by increasing shortages of trained workers incident to the growth in armed forces and decreasing unemployment.

If civil nonagricultural employment remains about constant during the next few months, after allowance for the usual seasonal fluctuations,

total income payments probably will continue to advance because of the general upward trends in wage rates and in payments for overtime work. However, part of the future increase in income will be absorbed by higher taxes and by larger sales of defense bonds to the public, and the net effect during the next few months is expected to be no substantial change in domestic consumer demand for farm products.

Looking further ahead, once the durable goods industries have been converted to war production it is practically certain that total employment and industrial output will again increase, and that the rise in consumer income will be accelerated. Even while the shift to war production is taking place, defense expenditures are mounting fairly rapidly. These expenditures averaged 79 million dollars per day in February compared with 68 million in January. If the daily rate in March shows a similar increase, defense expenditures for the month will be around 2,750 million dollars, 2 billion dollars more than in the corresponding month of 1941. If increases in defense spending so far during the period of conversion to an all-out war economy have been sufficient to offset the effects on industrial activity of losses in civilian goods output, the larger increases in spending later may be expected, after the conversion is further advanced, to result in substantial increases in industrial activity.

Index numbers of industrial production and of income payments to individuals probably will be much less representative of changes in general demand conditions during war than in peacetimes, whereas fluctuations in aggregate employment may be more representative of such changes than is usual. Per capita earnings of employed workers as a whole will tend to increase, but certain groups will not share in the gains, at least to any marked degree, and there will be important partial offsets (taxes and defense bonds) to any further aggregate gains.

In past years fluctuations in the physical volume of industrial production have been widely used as an indicator of changes in general economic conditions affecting the demand for goods. The index most widely used for this purpose has been the Federal Reserve index of industrial production, adjusted for seasonal variation. In wartime, seasonal fluctuations disappear in many industries and the physical units of output which ordinarily are used as a basis for computing the index are in many instances displaced by new products, making it necessary to measure aggregate output somewhat differently than in peacetime. In recognition of these changes the Federal Reserve no longer makes any correction for seasonal variation in 25 of the 84 series in the index (the weights assigned the 25 series amounted to 35 percent of the total in the 1935-39 base period, but their effective weights had increased to about 47 percent of the total in January 1942), and uses man-hour employment data rather than physical units of production as indicative of changes in output of many industries. These changes have definitely improved the index as an historical measure of industrial activity, but both the long-term trend of the index and the month-to-month fluctuations have been altered considerably by these and other changes. This has affected interpretation and use of the index in connection with the outlook.

As recently revised, industries represented by man-hour data now account for about 39 percent of the total number of points in the composite Federal Reserve index of industrial production, whereas before the 1940 revisions no man-hour data were used. The percentage gain in the man-hour portion of the index between January 1941 and January 1942 was 42 percent compared with a 12 percent increase for the portion of the index based on physical units. The "man-hour industries" have on the whole been greatly stimulated by war, and output in them no doubt has shown considerably more than the average increase. These changes, which have improved the index as a measure of industrial activity, nevertheless have added to the difficulty of forecasting changes in the index. It would be much easier, for example, to forecast the output of iron and steel, taken to represent changes in the output of many metal fabricating industries, than to forecast changes in the number of man hours devoted to the production of machinery, tanks, and other finished products. The latter involves an appraisal of the probable effects of the changing efficiency of labor and of the quality or type of finished product, as well as of the actual number of physical units of the goods to be produced.

Also, there is a question as to whether under war conditions the actual index of activity may not be a better measure of monthly fluctuations for outlook purposes than is the seasonally adjusted index. For example, the preliminary Federal Reserve index of industrial production (not adjusted for seasonal variation) was 163 percent of the 1935-39 average in February--only one point higher than the September-November 1941 level and four points above the average for the previous 8 months--whereas the seasonally adjusted index would indicate a large increase in activity since mid-1941. Although any forecast of industrial activity necessitates an appraisal of seasonal factors, those responsible for this monthly report have found the anticipation of the official seasonal corrections more difficult than forecasts of the unadjusted index, and movements of the latter easier to interpret than changes in the adjusted index as now computed. For these reasons, forecasts and discussions of industrial activity in this publication will in the future be in terms of the unadjusted index unless otherwise noted.

Within the past few years monthly data on nonagricultural employment and national income payments have been made available supplementing previously available statistics used as indications of changes in general economic conditions affecting the demand for farm products. The Bureau of Labor Statistics makes the estimates of total nonagricultural civilian employment (the Federal Reserve adjusts these data for seasonal variation) and the Department of Commerce makes the monthly estimates of national income payments. Both the employment and income estimates are available only from 1929, but are useful additions to current statistics needed in forecasting changes in demand conditions. Income data will, of course, not be as representative of changes in consumer purchasing power during war as in peacetime, since greatly increasing amounts of the income will be needed for the payment of taxes and for the purchase of defense bonds. The revised estimate of 1941 income payments of about 91 billion dollars is around 2 billion larger than was shown by published monthly data. This makes necessary an upward revision in advance forecasts for 1942, and suggests that there is room for further improvement in the monthly statistics used as a basis for this comparatively new index.

THE GENERAL PRICE LEVEL

Since approval of the Emergency Price Control Act of 1942 in late January, wholesale prices have risen very little in contrast to the rapid gains of the preceding 2 months... Some of the indices of commodity prices which previously had fluctuated considerably (such as the Bureau of Labor Statistics daily index of 28 basic commodities) now, largely because of broadening controls, are moving narrowly.

Although price controls during World War I and prior to February during the present war, were effective in moderating the general advance (see this report for January) the marked slowing up in the rise of wholesale commodity prices in the past 6 weeks probably should not be credited entirely to added success under the more widespread controls permitted under the new legislation. Other developments also have been favorable to smaller price advances since January. For instance, advance buying by the public, which had been large (particularly in January), was not so apparent in retail trade data for February. Provision for income tax payments may have been a factor in the changed situation in February, and certainly this has been a factor in consumer buying in March. Thus, quite aside from the fact that even in periods of inflationary price movement there are temporary periods when prices do not continue the advance, it appears that the Emergency Price Control Act of 1942 came into operation at a time when a pause in the rate of consumer purchases was about due. Also, war developments appear to have had a restraining effect on speculative activity in wholesale markets recently. Commodity price rises will undoubtedly be smaller under operation of the Act but increasing demand in relation to available supplies will continue to put a strong pressure on the general level of prices.

This pressure on prices, which in the past year was largely a result of the rising level of consumer income, hereafter will be due more to curtailment of the available supply of civilian goods, since further increases in aggregate income received by individuals will be at least partially offset by higher taxes and other drafts on income incident to the prosecution of the war.

The difficult problem of controlling commodity prices may be illustrated by the trend of events set off by the increase in railway wage rates late in 1941. As a result of this increase in wage rates the Interstate Commerce Commission has now granted permission to the railroads to increase passenger fares and freight rates. The increase in distribution costs represented by higher freight rates will, in turn, be added in whole or in part to the price of commodities. Finally, increases in retail prices (or living costs) are one of the principal bases of demands for higher industrial wage rates. This illustrates the "vicious spiral" in operation. Wages, of course, are one of the principal items of cost. Wages have been increasing persistently and there is as yet no evidence that this trend will not continue. In fact, as labor shortages become more pronounced the pressure to raise wage rates becomes greater.

Retail prices, or living costs, in 1942, probably will advance more rapidly in relation to changes in wholesale prices than in 1941. This will be in part a belated reflection in retail markets of the substantial advance

in wholesale prices prior to approval of the Emergency Price Control Act of 1942. Other factors pointing in this direction include the recent increases in freight rates (yet to be reflected in distribution costs), and the greater control over wholesale than over retail prices.

FARM PRICES AND INCOME

Cash income from farm marketings during the next few months will be sharply higher than in corresponding months of 1941, but percentage increases are expected to decline. The 35 percent rise in prices received by farmers during the 6-month period from March to September 1941 was the principal factor in the substantial rise in cash income from marketings at that time. No such rapid rise in prices is expected this year, but the volume of marketings will increase barring unusual weather conditions, as a result of the higher production in response to lend-lease and other military needs, and to increased consumer demand.

Cash income from farm marketings has declined more than usual since December as a result of a recession in sales of some products. Some further recession, after seasonal correction, may occur during the next few months, but the average level of income for the year as a whole probably will not differ greatly from the rate of the first 2 months of the year when it was about 128 percent of the 1924-29 average of 10.8 billion dollars. During the next few months the income from fresh vegetables and potatoes will be high compared with a year earlier, owing to considerably higher prices and to an increase in production of vegetables for the spring market. Income from sale of other crops (including proceeds incident to loan redemption) and from livestock and livestock products also will continue larger than in 1941.

Prices received by farmers have risen only about 5 percent during the past 6 months. The general upward trend in prices probably will continue but further gains are expected to be small compared with those between March and September 1941. Indications are that prices received by farmers changed little between mid-February and March; following the decline of about 3 percent between January and February. Prices paid by farmers continued to rise in February, and the ratio of prices received to prices paid declined from 102 percent of the 1910-14 average in January to 99 in February. There may be some further recession in this ratio during the next few months, but for the year as a whole it probably will average about 100 compared with 93 in 1941.

COTTON

Domestic cotton prices kept within a very narrow range (less than one-fourth cent for Middling 15/16 inch in the 10 markets) from mid-February to mid-March. Although the demand for cotton textiles is exceptionally strong manufacturers are finding it difficult to expand output from the recent record high levels. The strong demand for raw cotton is evidenced by the fact that since February 16 the market has absorbed nearly 500,000 bales of Government owned cotton which have been sold under the general sales program, bringing the total of such sales since January 19 to about 700,000 bales.

The approximately 894,000 bale domestic consumption in February was at a daily rate about the same as the record high of January. As more mills

are shifted into the production of coarse yarns for the output of duck and Osnaburg - needed in large quantities by the Government - and spindle operations are increased still further some additional increase in consumption is to be expected. The recent order granting textile repair and replacement equipment a higher priority rating is designed to aid mills in maintaining or further increasing their output.

The high rate of domestic cotton consumption is due not only to the heavy military and civilian requirements for textiles but also to limited supplies of goods produced from other fibers. Largely because of reduced imports there are Government limitations on the use of such import fibers as jute, abaca (Manila hemp), sisal, henequen, wool and silk. By weight the imports of these fibers (both raw and manufactured) were equivalent to nearly one-third of all fibers consumed in the United States from 1935 to 1939.

This season's consumption of cotton in Japan and the Axis-controlled areas of Europe may be more than 6-2/3 million bales less than in 1936-37 and much less than the greatly restricted consumption of last season. This together with possibly some further reduction in consumption in other foreign countries and a relatively large foreign crop are expected to result in a substantial increase in the 1942 carry-over of cotton in foreign countries. This increase is likely to be more than equal to the large reduction in the 1942 carry-over in this country.

The basic price (Middling 15/16) of cotton in the 10 markets (of 19-1/3 cents) as of mid-March was approximately the same as a month earlier. It seems likely therefore that the average price received by United States producers was not materially different than the February 15 price of 17.80 cents which was 98 percent of the parity price for February.

WHEAT

The general condition of the winter wheat crop remains promising. During the last few weeks, however, damage from heaving has become somewhat more apparent in the southern Ohio Valley area. In Texas the general condition varies greatly, ranging from poor to fairly good, but droughty conditions are becoming progressively worse. In Oklahoma condition is mostly good. It is very good in western Kansas, but there is some loss of acreage in the eastern third, due largely to fly and heaving. In the Northwest and more western States the outlook continues generally favorable. The second official winter wheat production indication will be released April 10 covering conditions up to April 1. The report on spring wheat acreage intentions will be released March 24.

Domestic wheat prices are generally about at the same levels as a month ago. On March 14 market prices compared with loan values as follows: At St. Louis, Kansas City and Minneapolis, they were 17, 12, and 5 cents, respectively, above, and at Portland they were 3 cents below. The program under which the Government offered wheat to the milling trade, the price of which was 17 cents above loan values, was discontinued March 14 in order to assist producers in liquidating their 1941 loans. The quantity of such wheat sold by the Commodity Credit Corporation was small and the total for the season

through March 10 remained at about 25 million bushels. The Corporation has also sold about 14 million bushels at prices fairly comparable to corn values, under the program announced January 19, leaving holdings on March 10 of 1939 and 1940 pooled wheat of about 120 million bushels. Sales for alcohol production have been very small.

On March 2 the Department announced that all 1941 loans on wheat stored on the farms and in good sound condition may be extended to April 30, 1943, except in certain eastern and southern areas. Loans on wheat defined as excess wheat under the marketing quota provisions, whether stored on farms or in approved warehouses, may also be extended to April 30, 1943. The present maturity date on all these loans, as well as those which can not be renewed, is April 30, 1942. It is expected that a large part of the 1941 farm stored wheat under loan will be resealed and will not come on the market. It is also expected that the greater part of the warehouse loans will not be redeemed and the wheat securing them will be acquired by the Government. Up to the end of February a total of about 18 million bushels had been redeemed and presumably sold commercially. The quantity reported under loan as of February 28 was about 340 million bushels. Of this quantity about 118 million bushels was on farms and about 222 million bushels in warehouses.

CORN AND OTHER FEED

Corn prices are near or above the loan rate on 1941 corn in all commercial States except Minnesota, South Dakota, and Nebraska. In these States average prices received by farmers in mid-February were 5 to 7 cents below the loan. There has been little change in corn prices at primary markets during the past month. This may be due in part to the fact that corn prices generally are near the loan level, but it also reflects the influence of governmental action taken to keep livestock feed-price ratios favorable for livestock producers. Oats and barley prices averaged a little lower during the week ended March 8 than a month earlier. On March 11 wheat millfeeds and gluten feed and meal were higher than a month earlier, while cottonseed, soybean, and linseed oil meals were lower.

The rate of sealing 1941 corn has fallen sharply since mid-February. On March 1 an estimated 88 million bushels of 1941 corn and 172 million bushels of old corn were under seal. In addition to this, 81 million bushels were owned by the Commodity Credit Corporation. During February about 7 million bushels of corn were redeemed by farmers and 9 million bushels were sold by the Government. The sales price on Commodity Credit corn for March delivery, Chicago basis, is 84 cents per bushel. About 8 million bushels of Commodity Credit wheat have been sold for feed in the North Atlantic area, 4 million bushels in the Pacific Northwest and 2 million bushels at other points since the wheat feed program was announced in January.

Weather conditions to date have been favorable for the 1942 Argentine corn crop. Although no official estimates have been released, trade reports indicate that the crop may be considerably above average, although it probably will be below the big crops of 1940 and 1941 when acreage was larger and production exceeded 400 million bushels.

HOGS

Maximum prices for pork have been established by the Office of Price Administration. The order placing ceilings on prices of the major pork products, at the highest wholesale prices prevailing during the 5 days, March 3-March 7, becomes effective on March 23 for a 60-day period. Maximum prices for lard have been effect since December 13.

Hog prices have advanced sharply during the past 3 months, and in early March they were as high as the peak prices reached in August 1937, and with this exception, were the highest since 1926. The average price of barrows and gilts at Chicago for the week ended March 7 was \$13.20. This compares with \$7.65 in the corresponding week last year and \$10.00 in early December. The United States average price received by farmers for hogs in mid-February was \$11.64, 110 percent of parity. In early March hog prices were about 50 cents above the mid-February level.

Marketings of hogs decreased somewhat more than the usual seasonal amount during February. Inspected slaughter for the month totaled 3,892,000 head, 33 percent less than in January, but about 4 percent more than in February last year. A few fall pigs recently have been reported in hog marketings, but the market movement of the 1941 fall pig crop will not get under way in volume for several more weeks. Because the 1941 fall crop was much larger than that of a year earlier, the seasonal increase in hog marketings this summer probably will be more pronounced than usual. The total number of hogs on farms at the beginning of 1942 was 60.5 million head, 12 percent more than a year earlier. On the basis of this and other information, it still appears likely that the number of hogs slaughtered under Federal inspection during the 1941-42 marketing year (October-September) will total around 51-52 million head. Inspected slaughter in 1940-41 totaled 48.0 million head.

CATTLE

Cattle numbers increased about 3 million head during 1941, raising the total number of cattle and calves on farms and ranches January 1, 1942 to 74.6 million head, slightly more than the previous peak number reached in early 1934.

The percentage increase in cattle numbers during the year was greatest in the Western States, where numbers in many areas are still considerably below the pre-drought 1934 level. Farring the recurrence of drought conditions, the tendency to hold back breeding stock may continue for a year or so longer in these States. In several of the important cattle States east of the Missouri River numbers did not increase greatly during 1941. And with the large expansion of hog production now under way, many farmers in the eastern half of the United States probably have about as many cattle as they care to handle. But even if cattle numbers should show a further marked increase in 1942, total marketings for slaughter could be substantially larger this year than they were in 1941. Consumer demand conditions are expected to average much stronger in 1942 than a year earlier, however, and cattle prices are expected to continue at a relatively high level despite a prospective increase in slaughter supplies.

Prices of well-finished slaughter cattle have improved considerably during the past 2 or 3 weeks, with prices of heavy slaughter steers showing the most strength in over a year. This advance reflects a material reduction in slaughter supplies of long-fed cattle since the first of the year. And with supplies of such cattle expected to continue smaller than a year earlier during the spring and summer, some further advance in prices of the upper grades of slaughter cattle seems probable. Last year prices of well-finished slaughter cattle declined sharply after mid-January. The average price of Good grade beef steers at Chicago for the week ended March 7 was \$12.95, compared with \$12.45 a month earlier and \$11.10 a year earlier. Prices of the lower grades of slaughter cattle--canner cows, bulls and common grade steers--are still quite high relative to prices of the other grades.

Marketings of slaughter cattle decreased sharply in February, but continued substantially larger than a year earlier. Inspected cattle slaughter for the month totaled 891,000 head, 16 percent less than in January, but 20 percent more than in February last year. Inspected calf slaughter, of 392,000 head, was a little larger than a year earlier. Marketings of cattle for slaughter have been running much larger than a year earlier since April 1941, but calf slaughter has not shown much of an increase over a year earlier.

SHEEP AND LAMBS

Slaughter supplies of sheep and lambs probably will be a little larger than a year earlier during the remainder of the fed-lamb marketing season (through April), but during the late spring and early summer they are expected to be smaller. The number of lambs remaining on feed in several important feeding areas at the end of February was substantially larger than on that date last year. Most of these lambs will be marketed by May. The early lamb crop is reported to be a little smaller this year than last, and the number of spring lambs marketed before July 1 is expected to be smaller than a year earlier. Weather and feed conditions have not been as favorable during the early lambing season this year as they were last, when they were unusually good.

Prices of slaughter lambs have declined somewhat since mid-January, reflecting the fairly large marketings of fed lambs during this period. Lamb prices are still fairly high relative to other years, but the recent decline has not been favorable to lamb feeders who purchased lambs at fairly high prices last fall. The average price of Good and Choice grade woolled lambs at Chicago for the week ended March 7 was \$10.90. This compares with the peak of \$12.75 reached in early January and \$10.80 in the corresponding week of 1941.

Sheep and lamb marketings decreased seasonally in February. Slaughter under Federal inspection during the month totaled 1.4 million head, 13 percent less than in January, but a little greater than in February last year.

WOOL

The number of sheep on farms and ranches at the beginning of 1942 was 3 percent larger than a year earlier, and wool production in 1942 probably will be a little larger than the record 1941 production of 455 million pounds, greasy shorn and pulled basis. The new clip is being contracted in Western States at prices about 5 cents a pound higher than a year earlier and the highest in 14 years. At current prices cash farm income from the 1942 clip probably will equal or exceed the record income of 147 million dollars in 1918. The 1941 income, second largest on record, totaled 138 million dollars. Under present maximum price regulations little advance from present prices is anticipated.

A uniform scale of maximum prices, clean basis, by grades for greasy shorn domestic wools, became effective on February 28. The schedule does not fix a maximum price to growers, but the clean prices are based on an average price of 37.1 cents a pound for grease wool which was the United States average local market price on December 15, 1941. This is the highest of the four prices below which maximum prices for wool cannot be established under the Price Control Act. Market prices for graded domestic wools advanced in the early part of March. Boston prices for most wools are now close to the maximums permitted under the Office of Price Administration price schedule.

Further curtailment of new wool use for civilians has been ordered by the War Production Board for the second quarter of 1942. The use of apparel wools for civilian fabrics for this period is restricted to 10 percent (woolens) and 20 percent (worsted) of the quarterly average for the first half of 1941. The new quotas may be considerably modified, however, by the use of coarse wools and grown mohair which are not needed for military fabrics. Because of the large requirements for military fabrics, total mill consumption of apparel wool again will be large in 1942.

Production of wool in 12 Southern Hemisphere countries in the 1941-42 season is now estimated at 2,350 million pounds, compared with the record production of 2,360 million pounds in each of the 1939-40 and 1940-41 seasons. Most of the wool entering international trade is produced in these countries. With most European countries cut off from the market by the war, the United States is the principal outlet for South American wools at the present time. In view of the shortage of ocean shipping it is likely that relatively large quantities of the 1941-42 clips in the British Dominions, Australia, South Africa, and New Zealand, are still stored in those countries.

DAIRY PRODUCTS

With the large number of young dairy stock now on farms and the expected continued large demand for dairy products, further increases in the number of milk cows on farms are in prospect during 1942 and 1943. As a result, total milk production on farms also may be expected to increase although the increase may not be as rapid as that called for in the 1942 production goals.

Because of increased consumer incomes and a continued large demand for dairy products under the lend-lease program, prices received by farmers for whole milk at wholesale probably will continue considerably higher than a year earlier during most of 1942. For the year as a whole, prices received by farmers for butterfat also may average higher than in 1941, but butterfat prices may be somewhat lower during the summer than they were in the summer of 1941, when a rapid contraseasonal rise in prices took place. Largely as a result of higher feed prices, butterfat-feed price ratios probably will continue less favorable for milk producers during at least the first half of 1942 than they were a year earlier. The ratio of prices paid by condenseries for milk to feed-grains prices also may be less favorable.

Total milk production on March 1 was 4 percent larger than on the same date in 1941 but milk production per cow was only 1 percent larger. Production of evaporated milk in January was 82 percent larger than a year earlier, of American cheese 52 percent larger, and of dry skim milk for human consumption 43 percent larger. Butter production has been about 10 percent smaller than in the corresponding months of 1941 but stocks on March 1 were almost four times as large. Prices of dairy products have been about steady during the past month.

POULTRY PRODUCTS

The number of potential layers now on farms is large enough to meet the 1942 egg production goal, which is 13 percent larger than the 1941 output. If the goal is reached, the supply of eggs will be ample to meet prospective lend-lease needs even while maintaining per capita consumption in this country at, or above, the average for the last few years. Production per hen in the United States on March 1 was 2 percent larger than on March 1, 1941, and the number of layers on farms was about 12 percent larger, making the total egg output about 13 percent in excess of that a year earlier. Egg production will reach the seasonal peak in April and will continue much larger than a year earlier.

Wholesale egg prices were steady from mid-February to mid-March, the price of fresh firsts at Chicago in mid-March being about 70 percent higher than a year earlier. In 1941 egg prices began rising rapidly in late March as buying for lend-lease requirements was getting under way. The cost of poultry feed, based on Chicago wholesale prices, decreased in recent weeks and the feed-egg ratio is more favorable than average and much more favorable than a year ago. The ratio is expected to continue favorable for egg production, but it probably will not be as favorable this year as a whole as for 1941.

Wholesale prices for live fowl were steady during the past month and prices of young chickens advanced materially. As a result, prices of these two classes are in a more nearly normal relationship. Prices of live birds in both classes are considerably higher than a year ago.

Production of both chickens and turkeys in the United States this year is likely to be larger than in 1941. Farmers recently indicated that they intended to purchase 12 percent more chicks and start 8 percent more

turkey poults than last year. Realization of these intentions will depend considerably on the relationship between prices of feed and poultry products in the next few months but it is likely that supplies of poultry meat this year will be by far the largest on record.

POTATOES

The Department of Agriculture, on March 4, announced a price support program for Irish potatoes. The program is in large part designed to encourage growers, who cooperate in the Agricultural Conservation Program, to plant their full potato acreage allotments in 1942. Prices will be supported by purchases for relief distribution, diversion to starch, livestock feed, and other products, and loans or purchases by the Commodity Credit Corporation.

Prices of potatoes at shipping points and terminal markets have decreased slightly since the middle of February, but they continue considerably above prices in the comparable period last year. The higher level of potato prices this year is largely the result of smaller supplies and increased consumer income this year over last.

Plantings of potatoes in Florida and Texas total 24,100 acres, or about the same as in 1941. It is likely that total plantings of all early potatoes will be less than in 1941, and may be near the 1931-40 average acreage. Because of the introduction of higher yielding varieties in some of these areas in recent years, average yields per acre have been rising. Thus, it is likely that production will be greater this year than the average production in the 10-year period 1931-40.

TRUCK CROPS

Adverse weather conditions prevailed during the last half of February in practically all commercial truck crop areas of the Southern and Western States, except Texas. Cold rains and low temperatures in these sections retarded maturity and delayed shipments of most vegetable crops. In early March heavy frosts in the Florida Everglades caused extensive losses of snap beans and young tomato plants. A considerable portion of the damaged acreage is being replanted.

Production of cabbage and cauliflower is indicated to be greater than last year, and production of early asparagus is less. Celery acreage for harvest in California and Florida is estimated at 4,920 acres compared with 4,650 acres in 1941. Tomato acreage for harvest this spring in the early (2) area (California, Imperial; Florida, other; and Texas, Lower Valley) is indicated to total 43,000 acres compared with 33,200 acres in 1941.

Market prices of lima beans, broccoli, carrots, cucumbers, lettuce, onions, and green peppers increased in late February and early March. Prices of cabbage, celery and eggplant decreased during this period.

Market prices in general in the first week of March averaged above those in the comparable week a year earlier. Prices of cabbage and celery,

however, were considerably lower, largely as a result of the anticipated increases in production this year.

Intentions to plant reports indicate that the acreage planted to green peas for processing will total 487,130 acres in 1942, a 26-percent increase over last year. The 1942 goal for canned peas calls for a pack about 32 percent larger than the 1941 pack. If abandonment of planted acreage, because of unfavorable growing conditions, is normal, and if yields equal to the 1936-40 average are obtained, a total of about 371,500 tons would be produced for canning and freezing in 1942, only 7 percent more than in 1941. Last year the yield was the highest since 1927, and was about 17 percent above the 5-year 1936-40 average.

FRUITS

The conservation order pertaining to tinsplate and terneplate issued February 11 by the War Production Board will not cause the total canned fruit pack in 1942 to be much smaller than the 1941 pack. However, individual packs such as apples, apricots, plums and prunes, freestone peaches in California, and olives will be considerably smaller in 1942 than in 1941. It is important to keep in mind that the quantity restrictions imposed by the tin order apply to the quantity of tinsplate or terneplate used, and the actual fruit packs will not be cut as much since sizes are restricted to larger cans which use less tinsplate than small sizes for a comparative volume of contents. Further, the restrictions have reference only to the pack permitted for civilian consumption. Additional packs may be put up for the Army, Navy, lend-lease, or for other Government needs.

Production of early strawberries is indicated to total 2,519,000 crates compared with 2,175,000 crates last year. It is estimated that 68 percent of the early strawberries will come from Louisiana. The acreage of strawberries available for picking in the second early States is indicated to total 60,550 acres compared with 62,950 last year. Prices of Florida strawberries at New York in the last week of February advanced sharply, largely because of a reduction in shipments due to heavy rains. Prices of Florida berries at New York during the last 2 weeks of February averaged slightly below prices in the comparable weeks a year ago, but in the first week of March they averaged 5 cents a pint higher.

Cold storage holdings of apples on March 1 totaled 14.2 million bushels compared with 20.2 million bushels on March 1, 1941. Included in the total cold storage holdings on March 1 are 1.3 million bushels owned by the Federal Surplus Commodities Corporation. The out-of-storage movement of apples in February totaled 6.0 million bushels or about the same as in February last year. The Surplus Marketing Administration purchased roughly 206,000 bushels of apples in February compared with 1,022,000 bushels purchased in February 1941. Auction prices of all leading varieties of western apples at New York and Chicago in February averaged about the same as in January. Prices of western apples have declined considerably since December and in February were only a few cents higher than a year earlier. Nearly 25 percent more western apples were moved into regular commercial trade channels this past month than in February 1941.

Table 8.- ECONOMIC TRENDS AFFECTING AGRICULTURE

INDEX NUMBERS: INDICATED BASE PERIOD = 100

YEAR AND MONTH	INDUS- TRIAL PRO- DUCTION ¹	FACTORY EMPLOY- MENT ²	FACTORY PAY ROLLS ²	INCOME OF IN- DUSTRIAL WORKERS ³	WHOLE- SALE PRICES OF ALL COMMOD- ITIES ⁴	RETAIL FOOD PRICES ⁵	COST OF LIVING, URBAN ⁶	PRICES RECEIVED BY FARMERS ⁷	PRICES PAID BY FARMERS	PRICES PAID BY FARMERS, INTEREST AND TAXES	RATIO OF PRICES RE- CEIVED TO PRICES PAID INCL. INTEREST & TAXES	CASH INCOME FROM FARM MAR- KETINGS ⁸
Base Period	1935-39	1935-39	1935-39	1935-39	1935-39	1935-39	1935-39	1910-14	1910-14	1910-14	1910-14	1910-14
1929	110	108	127	134	118	133	122	146	153	166	88	190
1930	91	94	103	110	107	126	119	126	145	158	80	152
1931	75	80	78	85	91	104	109	87	124	138	63	107
1932	58	68	54	59	80	86	98	65	107	120	54	80
1933	69	75	58	61	82	84	92	70	109	118	59	89
1934	75	88	74	77	93	94	96	90	123	128	70	106
1935	87	93	86	87	99	100	98	108	125	130	83	119
1936	103	101	99	100	100	101	99	114	124	129	88	139
1937	113	111	118	117	107	105	103	121	130	134	90	148
1938	89	93	91	91	98	98	101	95	122	127	75	129
1939	108	102	106	105	96	95	99	93	121	127	73	132
1940	123	110	122	119	98	97	100	98	123	128	77	141
1941	156	130	172	163	108	105	105	122	133	136	90	188
1941-												
Jan.	140	121	145	138	100	98	101	104	123	128	81	158
Feb.	144	121	146	139	100	98	101	103	123	128	80	153
Mar.	147	122	147	141	101	98	101	103	124	129	80	161
Apr.	144	125	153	142	103	101	102	110	124	129	85	169
May	154	128	164	157	105	102	103	112	125	130	86	176
June	159	131	175	167	108	106	105	118	128	132	89	175
July	160	136	182	173	110	107	105	125	130	133	94	179
Aug.	160	136	183	174	112	108	106	131	133	136	96	186
Sept.	161	135	187	177	114	111	108	139	136	138	101	200
Oct.	163	136	189	178	115	112	109	139	139	141	99	203
Nov.	166	137	192	180	115	113	110	135	141	143	94	205
Dec.	167	138	197	187	116	113	110	143	142	143	100	244
1942												
Jan. ⁹	171	139	208	193	119	116	112	149	146	146	102	239
Feb. ⁹	173	--	--	--	120	--	--	145	147	147	99	--

¹ Federal Reserve Board, adjusted for seasonal variation. Revised September 1941.² Bureau of Labor Statistics, adjusted for seasonal variation and converted from the 1923-25 base (employment adjusted by Federal Reserve and pay rolls by Bureau of Agricultural Economics).³ Adjusted for seasonal variation. Includes factory, railroad, and mining employees. Revised November 1941. To convert to 1924-29 base, multiply by 78.0744 percent.⁴ Bureau of Labor Statistics, 1926 = 100 converted to 1935-39 = 100 by multiplying by 124.069 percent.⁵ Bureau of Labor Statistics.⁶ Bureau of Labor Statistics. Index numbers of cost of goods purchased by wage earners and low-salaried workers in large cities.⁷ August 1909-July 1914 = 100.⁸ Adjusted for seasonal variation, converted from 1924-29 = 100 to 1910-14 = 100.⁹ Preliminary.

Note: In comparing trends between industrial production and industrial workers' income, as indicated by the above index numbers, notice should be taken of the fact that income of railway workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and pay rolls. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and in workers' income.